

COUNCIL POLICY FORM

SUBJECT: Contract Services

POLICY PURPOSE:

This policy is designed to establish consistent procedures for determining whether or not a City service should be provided in-house or by the private sector. The City, through its Planning and Management System, has a continuous process whereby its General Plan goals and objectives are established or changed. The Planning and Management System process translates these General Plan goals and objectives into specific service requirements. These service requirements are met by appropriating funds thereto, that is, adopting a budget therefor. The City, being a service provider, is by its nature labor intensive. The issue regarding contract services is whether labor intensive service requirements are better provided in-house or by the private sector.

POLICY STATEMENT:

The City recognizes that in a democratic free enterprise system, the City should not compete with its citizens. In recognition of this principle, the City adopts the following policy regarding contract services:

A. Policy Precepts

1. Rely on the Private Sector. The City's business is not to be in business. Where private sources are available, they should be looked to first to provide the commercial or industrial goods and services needed by the City to act on the public's behalf.
2. Retain Certain Governmental Functions In-House. Certain functions are inherently governmental in nature, being so intimately related to the public interest as to mandate performance by City employees.
3. Aim for Economy; Cost Comparisons. When private performance is feasible and no overriding factors require in-house performance, the citizens of the City of Sunnyvale deserve and expect the most economical performance and, therefore, rigorous comparison of contract costs versus in-house costs should be used, when appropriate, to decide how the work will be done.

B. Criteria for Selecting Areas for Possible Contract Services

Within the policy precepts listed above, criteria to be met for the selection of contract services are as follows:

1. No existing service will normally be contracted for in its entirety. Staff may

retain part of the responsibility in a given area until it has had the time to evaluate the portion contracted.

2. The transition from staff work hours to contract services is to be made wherever possible in stages or where vacancies exist in order to avoid the layoff of regular personnel. The elimination of regular employees and replacement with contract services staff is to be negotiated with the appropriate bargaining unit as required by established court cases.
3. The potential savings estimated to be derived from contract services in any given area should be of such amount as to justify the change contemplated.
4. The intent in contracting services is "cost based", that is, it contemplates a reduction in cost for a given level of service.
5. Other factors to be considered:
 - a. impact of the public
 - b. impact on City departments
 - c. reliability of contractor
 - d. risks involved
 - e. reversibility

C. Methods of Originating a Call for Bids on Contracts Services

The search for economy and efficiency should be viewed as "on-going". Proposals regarding economy and efficiency may be part of the annual budget process but should not be unnecessarily tied to it. A call for bids may originate at any time of the year in any of the following ways:

1. As directed by the City Council
2. As directed by the City Manager
3. As requested by a Department Director
4. As a result of an economy and efficiency audit as part of the City's Performance Budget and Audit System.

D. Procedure for Acquiring Contract Services

1. The City Council will direct the staff to prepare specifications and calls for bids in areas selected.
2. Preparation of Call for Bids:
 - a. The Call for Bids is to be prepared by the applicable department

director with assistance as required from the Purchasing Officer. The Call for Bids should clearly state what is to be done without prescribing how it is to be done. It should provide performance standards to ensure a comparable level of performance whether in-house or contract, and to provide the basis for evaluation. Ideally, the Call for Bids would cover one or more complete tasks.

- b. The Call for Bids will be reviewed by the City Attorney to ensure that it is adequate and appropriate for a contract specification.
- c. The Call for Bids will be approved for issuance by the City Council.

3. Accompanying Report to City Council

The department director preparing the Call for Bids will prepare an accompanying staff report to City Council commenting on the following items:

- a. impact on the public
- b. impact on other City departments
- c. conflicts with:
 - (1) other governmental agencies
 - (2) City Charter
 - (3) City Municipal Code
 - (4) City policy
 - (5) State law
- d. risk or risks involved, if any, with a contingency plan for each risk.

4. Department Director's Cost Estimate:

The applicable department director will submit a sealed cost estimate to the Purchasing Officer for the same work to be performed as requested by the private contractor no later than the time of the outside bid opening. The cost estimate is to be based on the level of service approved in the annual performance budget. The cost estimate would clearly disclose the estimated cost for City supervision in the event a bid is awarded to an outside contractor.

5. Bid Comparison

The Purchasing Officer will make a bid summary comparing all bids submitted including the cost estimate submitted by the department director.

6. Award of Bid

The Department of Finance will prepare a staff report to City Council recommending award of an outside contractor or retention of the service in-house. Reasons for the recommendations are to be clearly stated in the report. On award of bid, the Department of Finance will prepare the appropriate budget modification including

Report to Council No. 79-688

Approved by City Council on December 11, 1979

Deputy City Clerk Certification _____